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THE EMPLOYMENT MANAGER¹

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The greatest problems in business today compared with the business problems of fifty years ago have arisen from combinations in business and the enormously increased scale of business operations. The growth of system and material efficiency, with better organization, the standardization of plants, of machinery, of processes, of operations, and of products, have everywhere brought increased efficiency and economy of production; everywhere save at the one vital point, namely: the more efficient handling of labor. Personal and human relations between high officers in the management and labor have practically ceased in times of industrial peace. The continuous personal relations possible fifty years ago between men at the bottom and men at the top of the organization are at an end. Sympathetic understanding of one another as human beings, each seeing industry from a different angle, each entitled to a different point of view and opinion, is well-nigh lost.

In the same interval labor, at least skilled labor, has developed in average education, in average intelligence, and in the power to think, in aspirations and workingmen have become ambitious to live fuller lives in cleaner homes, to educate their children better. The value of this change to society and industry is and should be equal. Yet business has been more and more tempted to regard labor as a commodity, and a most vexatious and recalcitrant commodity. Moreover, labor has become highly organized, not for coöperation with capital, but in self-defense against capital, to fight capital. Capital in the past has in some instances taught labor selfishness and certain forms of tyranny. Labor has learned its power to threaten and even to paralyze industry. Indefinite and irresponsible ownership, expansion in scale of operations, failures in handling of men—these have set modern commerce and industry their present greatest and most pressing problems.

¹An address to the Chamber of Commerce of the United States of America, Washington, D. C., February 8, 1916.

Mistakes due to the loss of control of business by the owners, mistakes frequently due to faulty expansion and combination leading toward monopoly, mistakes in handling men, have all led to one form or another of public interference. Attempts to regulate business by statute, commission, or inspection are becoming more frequent, and yet another phase of this public interference is the organization of labor for defensive and offensive purposes. Every law, and every labor organization, points to somebody's blunder, lack of foresight or sense of justice. Every law and labor union stands for a lost opportunity by some owners or managers. Laws and organizations are born of real needs. If business could have foreseen these needs, and met them, we should have been spared a huge volume of awkwardly conceived and often more awkwardly executed legislation and much industrial strife. Business must not only find firmer footing, but it must regain a lost prestige and get back into a better strategical position. Business has grown so rapidly that it has at times exhausted its highest intelligence in the mere processes of growth, and has frequently failed to face and to analyze fundamentally all the factors in its highly complex relationships to labor and the public interest.

The largest problem in business today is not a material problem, not sales or financing, or a further standardization of products or processes of manufacture. Wonderful progress and systematization have been developed in all these material concerns and interests.

The greatest business problem today is the human problem of labor and the wise handling of men. Here lies the greatest opportunity, and also the greatest danger confronting modern business. On the one hand, lie the possibilities of steady production, coöperation, contentment and good will; on the other, the possibilities of strife, of organized social revolt and even the wrecking of the present organization of industry. Syndicalism and socialism, I may remind you, are more than empty shadows. We must look to the future as well as the past.

The failure of many of our industries to deal wisely, humanely, and considerately with labor is shown in various ways. For instance, the United States Census statistics for the calendar year 1904 show in all industries the maximum number of people employed was something over seven million; the minimum number, at another

time of the year, was 4,600,000. At the minimum only 65 per cent of the maximum were employed. That means that 35 per cent were compelled to be idle for part of the time. If we take into account overtime and part time, even greater fluctuations of employment and unemployment occur.

There are some industries, as we all know, that are working only about five months in the year. Think of the waste of capital! Think of the human waste of labor! The hard part of the showing of the census is that the minimum number were employed in January. The largest number were out of employment,—35 per cent, in the cold weather. There are few such demoralizing combinations as poverty and idleness. They will break character, they will break proper habits of living, they will ruin labor. There is only one combination that is more deadly, and that is idleness and riches. We have all of us seen the mischievous work of the destruction of men and women due to both of these groups of conditions.

To work part time is extravagantly wasteful. To employ overtime is to pay more per hour, and each hour is worth less than in regular time. The loss is a double loss shared by the industry and by society, and thousands upon thousands of men and women are wrecked every year in this country through the annual fluctuations of employment.

In this way the industries, in one sense, are killing the goose, and the only goose, that can lay the golden egg. They are making people who should be helpful, helpless. They are making people who should produce for industry and for the state, charges on the state.

The best way to examine the industrial condition of any business is by examining what we call the labor turn-over. The labor turn-over technically means this: If you have an average of 100 employees steadily in your work, and in order to maintain that average you have to employ each year fifty new employees, your labor turn-over is fifty in a 100, or 50 per cent. That, by the way, is a very moderate labor turn-over. It has been known to go as high as 1,000 per cent.

Many men with large responsibility in commerce and industry have not yet reached the point where they know what their labor turn-over is. Yet that is the key to their business.

But the labor turn-over tells you very little unless you analyze it, and you have to analyze it with skill, with judgment, with vision, with trained powers. In short, there should be a man whose profession it is to be able to analyze the labor turn-over, and to find remedies and ways for decreasing it.

Let us see what some of the problems are that are involved in the labor turn-over.

Seasonal fluctuations, or seasonal industries. How can that be met? It may require a different sales policy; it may require coöperation between buyer and seller. But, as long as employment is managed as it is now managed in most industries, there is no hope of bringing that about. Too many of our industries are governed by their sales force. It is a different problem in every industry and in every group of surroundings. There is no general cure for all these things. There must be someone of trained powers on the ground studying constantly and steadily.

The large labor turn-over may in part be due to the wrong selection of employees. How are employees selected in each of the businesses in which you are interested, or of which you are in control? What is the intelligence? What are the human sympathies? What is the type of man or men who hire new employees, and to what extent are they examined for their fitness for this important and particular business?

Another thing which may lead to a large turn-over is fickle reasons for discharging, or discharging on arbitrary grounds. There is more of that done than you would realize until you looked into it very carefully.

Another cause of labor turn-over is unsatisfactory wages; another, hours of work; another, failure to develop employees for fitness; failure, after the employee has been hired, to follow up that employee and see that the fitness which is in him is developed. If there is one operation at which he is put at which he does not succeed, see if you cannot find another; see if you can conserve that man or that woman and bring out of what seems unpromising material a productive worker.

One other cause is the lack of standardization and separation of jobs, so that the employee at the time of his employment does not clearly understand, and cannot be given to understand, exactly what his duties and responsibilities are, and where they stop and

where they begin. Uncomfortable working conditions, crowding, ventilation, light, heat, may lead to an increased labor turn-over if they are faulty. Sickness due to unsanitary conditions of employment is a frequent cause of a large turn-over, and when illness begins, it is not only those who are ill who leave the employment, but others leave with them.

There is illness of a natural sort for which the conditions of employment are not responsible; but if the illness could be found out, could be looked into, if there were medical service in connection with the factory, if there were a trained nurse, if, whenever an employee did not report for work, the employee was looked up at home, it would make a great difference.

Wrong personal methods of handling employees, not treating them with the respect due to men and women, may cause a large turn-over. General discontent, discouragement, distrust or suspicion of the management, lack of a feeling of *esprit de corps*, lack of a friendliness between the employees themselves, failure of the management to show recognition or advancement, or wage increase for better work, are causes. Then there are certain local causes. Such are just a few of the things that enter into the labor turn-over, and a man must be of great talent and judgment and human sympathy and feeling, who will devote his whole time, the whole time of a highly trained and sympathetic intelligence, to go through and analyze and find out what is wrong and how it can be bettered.

Let me give you the results of one employment manager. Fortunately, in this case the man who took upon himself the employment function was a member of the firm, so that nothing stood in the way of the policies which, after due examination and study, he settled upon. The business concern is one in the clothing trade where there has been seasonal employment, where in other shops there is now seasonal employment. In this case the sales policy has been changed. Customers and sellers have agreed to certain modifications of delivery, to their mutual advantage. Certain operative policies have been changed because of the study of the employment manager of the conditions of employment, and this is what he accomplished. In five years he cut down the annual labor turn-over from 150 to 33 per cent. He raised average weekly wages by 37 per cent. He reduced working hours from fifty-four

to forty-eight per week. He cut down his average force from 1,044 to 865. He increased production 42 per cent.

That sort of thing is not charity. It is not sentimental uplift. It comes out in the balance sheet. The man of that quality, with that standing and authority, whose word will be heard in the management, is the man who can not only improve the industry immediately, almost immediately, but he can actually increase money earnings, can provide a fixed and steady personnel, he can so change conditions that work goes steadily forward with only small seasonal fluctuations, so that the whole plant is used every day and there is no overhead charge carried when nobody is at work.

In addition to all that, he has saved to the industry hundreds of laborers and working people. He has saved the state and society from the wreckage which comes from unemployment. The same talent applied in your business could do something of the same sort. Perhaps not so much, perhaps conditions are different. But something could be done. That is an extraordinary showing. But some such showing will be possible if it is taken hold of in an intelligent way, and if the man who is entrusted with the function of employment is given a place comparable to the production manager, or the sales manager, and has direct access to the general manager or the president, and sits in council with the highest administrative officials, so that he has a chance to counsel changes in operation, policy, changes in sales policy, changes in whatever stands in the way of the greater common good of the industry and the employee alike.

This is a new profession. Let me give you one other instance of another kind. Mr. Magnus Alexander very carefully analyzed a group of industries employing all grades of labor. He very carefully inquired into every one of them, the processes of employing, the processes of dismissal, and everything connected with employment in them. These were the conditions that he found. In those industries during the year in which he studied them the total number of employees increased from 38,000 to 46,000. But to get that 8,000 increase, 44,000 people were taken into the business as employees to maintain the staff and to get an 8,000 increase.

Mr. Alexander makes every possible deduction for labor turnover due to unavoidable causes, sickness, death, and all the other things that cannot be prevented, but can only be minimized. He

took into account every item involved, and he comes out with a result that 22,000 of those employees were unnecessarily taken on; and as many left for preventable causes; that is, these changes of employment showed faults in the employment policies of the business. He also computed, after a very careful reckoning—and I am sure that he did not put it too high—that those combined industries, in the employment of those 22,000 unnecessary people, expended \$775,000. That is a conservative figure.

We have this new profession, this employment manager. What should be his duties? What should be his qualifications? What should be his training? His work is difficult. You will admit he must not only know how to deal with the present situation, but he has more against him than that. He must allay mutual suspicion and hostility already aroused by winning confidence in his fair dealing with both labor and management. Let me give you something of the qualifications that have been drawn up by Dr. H. S. Person, one who has given this problem more study than I. What sort of things ought an employment manager to do and to be? Dr. Person's answer is found in his article in this volume.²

How shall such men be produced in a new profession? There is only one place in the world, the Amos Tuck School of Administration and Finance, where there has been any attempt, as yet, to lay out a course of study which would be helpful to the school training of such an executive. He must get, of course, most of his qualifications in practice. But that he may start out with the proper foundation, courses have been devised, which have been in operation for only half a year. There is no background of experience. We do not as yet know anything more than we have been able to reason out in an *a priori* way, experience will doubtless teach us much as to what to do and how to do it; and what not to do and how not to do it.

But the future of society and industry alike is vitally concerned with the job for the man, as well as with the man for the job. We have heard the cry of business and industry for the man for the job, and now in a quieter voice, but one of growing insistence, which will go on growing, we must find the job for the man; we must discover and develop in the man the fitness for the job.

²See pp. 118-21. (This quotation was originally a part of Dr. Nichols' article but has been omitted by the Editors since Dr. Person's complete article appears in this volume.)

How can the Chamber of Commerce of the United States use its very great influence to forward this great movement, equally vital to the success of industry and the success of society? May I make one suggestion, though not a member? The Chamber can do a very great deal by appointing a special committee to study and report on the employment manager, his function, his training, his rank in business. The Chamber can further use its great influence to help to educate business men to an appreciation of the necessity of the functionalized employment head who has to deal with the greatest problems that now concern both commerce and industry.

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